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MEMORANDUM

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FROM: Ernest G. Johnson
Director
Utilities Division

2006 MAY 23 P 3: 51

AZ CORP COMMISSION
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DATE: May 23, 2006

IN THE MATTER OF THE APPLICATION OF NORTHERN SUNRISE WATER COMPANY INC. AND SOUTHERN SUNRISE WATER COMPANY INC. FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE WATER SERVICE IN COCHISE COUNTY, ARIZONA.
DOCKET NOS. W-20453A-06-0247 AND W-20454A-06-0248

IN THE MATTER OF THE JOINT APPLICATION OF NORTHERN SUNRISE WATER COMPANY INC. AND SOUTHERN SUNRISE WATER COMPANY INC. FOR THE APPROVAL OF SALE AND TRANSFER OF WATER UTILITY ASSETS, AND CANCELLATION OF CERTIFICATES OF CONVENIENCE AND NECESSITY, FOR MIRACLE VALLEY WATER COMPANY, COCHISE WATER COMPANY, HORSESHOE RANCH WATER COMPANY, CRYSTAL WATER COMPANY, MUSTANG WATER COMPANY, CORONADO ESTATES WATER COMPANY, AND SIERRA SUNSET WATER COMPANY, LOCATED IN COCHISE COUNTY, ARIZONA.

DOCKET NOS. W-20453A-06-0251, W-20454A-06-0251, W-01646A-06-0251, W-01868A-06-0251, W-02235A-06-0251, W-02316A-06-0251, W-02230A-06-0251, W-01629A-06-0251, W-02240A-06-0251

Attached is an Amendment to the Staff Report of May 17, 2006, for the above referenced applications. Two additional conditions are recommended.

EGJ:LAJ:tdp

Originator: Linda Jaress

Service List for: Northern Sunrise Water Company, Inc. and Southern Sunrise Water Company, Inc.

Docket Nos.: W-20453-06-0247 et. al.

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On April 13, 2006, Northern Sunrise Water Company, Inc. ("Northern") and Southern Sunrise Water Company, Inc. ("Southern") (combined, "the Companies") each filed an application for a new Certificate of Convenience and Necessity ("CC&N") with the Arizona Corporation Commission ("Commission") to provide water service in Cochise County, Arizona. On the same day, Northern and Southern filed a joint application for approval of the sale and transfer of water utility assets and cancellation of the CC&Ns of Miracle Valley Water Company, Cochise Water Company, Horseshoe Ranch Water Company, Crystal Water Company, Mustang Water Company, Coronado Estates Water Company and Sierra Sunset Water Company ("the McLain Systems" or "the Systems").

On May 17, 2006, Staff filed the Staff Report in these matters and recommended approval with several conditions. Since that date, Staff has continued its efforts to gather facts and find solutions to and mitigation of the problems experienced by the customers of the McLain Systems. Therefore, Staff is amending the Staff report to include two additional conditions.

The first additional condition addresses the customers' need for information as the repairs, replacements and improvements are made to their systems. Staff recommends that Northern and Southern establish a web site which would provide customers timely information regarding their water service including planned and unplanned outages and the Companies' progress toward completion of the projects shown on Exhibit 4 to the May 17th Staff Report. Staff recommends that the web site be available for customers use within 10 days of the closing of the sale transaction.

The second additional condition addresses the geographical areas Northern and Southern may be serving after closing of the sale which does not currently fall in any of the McClain Systems CC&Ns. Staff recommends that no later than December 31, 2007, Northern and/or Southern file applications for approval to extend their CC&Ns to areas being served outside of the CC&Ns approved in this case.

With these additional recommendations, Staff believes the sale transaction, the deletion of the McLain Systems CC&Ns and the approval of new CC&Ns for Northern and Southern will be in the public interest and should be approved.